

Senate Engrossed

State of Arizona  
Senate  
Forty-seventh Legislature  
First Regular Session  
2005

CHAPTER 88

# SENATE BILL 1127

AN ACT

AMENDING SECTIONS 36-422 AND 48-5541.01, ARIZONA REVISED STATUTES; RELATING TO HEALTH CARE DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-422, Arizona Revised Statutes, is amended to  
3 read:

4 36-422. Application for license; notification of proposed  
5 change in status; joint licenses; definitions

6 A. A person who wishes to be licensed under this chapter to operate a  
7 health care institution shall file with the department an application on a  
8 form prescribed, prepared and furnished by the department. The application  
9 shall contain the following:

10 1. The name and location of the health care institution.

11 2. Whether it is to be operated as a proprietary or nonproprietary  
12 institution.

13 3. The name of the governing authority, and, if other than an  
14 individual, the names of the persons having its control. The applicant shall  
15 be the governing authority having the operative ownership of, or the  
16 governmental agency charged with the administration of, the health care  
17 institution sought to be licensed.

18 4. The class or subclass of health care institution to be established  
19 or operated.

20 5. The types and extent of the health care services to be provided,  
21 including emergency services, community health services and services to  
22 indigent patients.

23 6. The name and qualifications of the chief administrative officer  
24 implementing direction in that specific health care institution.

25 7. Other pertinent information required by the department for the  
26 proper administration of this chapter and department rules.

27 B. An application filed pursuant to this section shall be signed as  
28 follows:

29 1. If the applicant is an individual, by the owner of the health care  
30 institution.

31 2. If the applicant is a partnership or corporation, by two of the  
32 partnership's or corporation's officers.

33 3. If the applicant is a governmental unit, by the head of the  
34 governmental unit.

35 C. An application for licensure or relicensure shall be filed at least  
36 sixty but not more than one hundred twenty days before the anticipated  
37 operation or the expiration date of the current license. An application for  
38 a substantial compliance survey submitted pursuant to section 36-425,  
39 subsection C shall be filed at least thirty days ~~prior to~~ BEFORE the date on  
40 which the substantial compliance survey is requested.

41 D. If a current licensee intends to terminate the operation of a  
42 licensed health care institution or if a change of ownership is planned  
43 either during or at the expiration of the term of the license, the current  
44 licensee shall notify the director in writing at least thirty days before the  
45 termination of operation or change in ownership is to take place. The

1 current licensee is responsible for preventing any interruption of services  
2 required to sustain the life, health and safety of the patients or residents.  
3 A new owner shall not begin operating the health care institution until the  
4 director issues a license.

5 E. A licensed health care institution for which operations have not  
6 been terminated for more than thirty days may be relicensed pursuant to the  
7 standards that were applicable under its most recent license.

8 F. If a person operates a hospital in a setting that includes  
9 facilities of the hospital which THAT are located separately from the main  
10 hospital building, the department shall at the request of the applicant or  
11 licensee SHALL issue a single group license to the hospital and its  
12 designated facilities located within one-half mile of the main hospital  
13 building if all of the facilities meet or exceed department licensure  
14 requirements for the designated facilities. At the request of the applicant  
15 or licensee, the department shall also issue a single group license that  
16 includes the hospital and not more than five of its designated satellite  
17 facilities that are located farther than one-half mile from the main hospital  
18 building if all of these facilities meet or exceed applicable department  
19 licensure requirements. Each facility included under a single group license  
20 is subject to the department's licensure requirements that are applicable to  
21 that category of facility. Subject to compliance with applicable licensure  
22 or accreditation requirements the department shall reissue individual  
23 licenses for the facility of a hospital located in separate buildings from  
24 the main hospital building when requested by the hospital. This subsection  
25 does not apply to nursing care institutions and residential care  
26 institutions. The department is not limited in conducting inspections of an  
27 accredited health care institution to ensure that the institution meets  
28 department licensure requirements.

29 G. If a county with a population of more than one million persons OR A  
30 SPECIAL HEALTH CARE DISTRICT IN A COUNTY WITH A POPULATION OF MORE THAN ONE  
31 MILLION PERSONS operates an accredited hospital that includes the hospital's  
32 accredited facilities that are located separately from the main hospital  
33 building and the accrediting body's standards as applied to all facilities  
34 meet or exceed the department's licensure requirements, the department shall  
35 issue a single license to the hospital and its facilities if requested to do  
36 so by the hospital. If a hospital complies with applicable licensure or  
37 accreditation requirements, the department shall reissue individual licenses  
38 for each hospital facility that is located in a separate building from the  
39 main hospital building if requested to do so by the hospital. This  
40 subsection does not limit the department's duty to inspect a health care  
41 institution to determine its compliance with department licensure  
42 standards. This subsection does not apply to nursing care institutions and  
43 residential care institutions.

1 H. This section does not limit the application of federal laws and  
2 regulations to an applicant or licensee certified as a medicare or an Arizona  
3 health care cost containment system provider under federal law.

4 I. For the purposes of this section:

5 1. "Accredited" means accredited by a nationally recognized  
6 accreditation organization.

7 2. "Satellite facility" means an outpatient facility at which the  
8 hospital provides outpatient medical services.

9 Sec. 2. Section 48-5541.01, Arizona Revised Statutes, is amended to  
10 read:

11 48-5541.01. Additional powers and duties of certain special  
12 health care districts

13 A. This section applies only to a special health care district in a  
14 county with a population of two million or more persons.

15 B. Notwithstanding section 48-5502 and except as provided in section  
16 48-5501.01, subsection B, the board of directors of a special health care  
17 district shall be elected pursuant to title 16 and shall consist of five  
18 members, one from each supervisorial district of the county in which the  
19 district is located. A member of the board of directors shall comply with  
20 all of the following:

21 1. A member shall be a qualified elector of the supervisorial district  
22 from which the member is elected.

23 2. A member shall not be an elected or appointed state or county  
24 official or a person who serves on a hospital board established pursuant to  
25 section 36-183.01 and who is not a member of the board of supervisors of the  
26 county in which the district is located.

27 3. A member shall not be an employee of the special health care  
28 district or a director, officer or employee of another health care  
29 institution.

30 C. For at least ten years after the date that the district first  
31 operates a general hospital and within three miles of the location of a  
32 general hospital operated by the county in which the district is located, the  
33 district shall provide the following services commensurate with good business  
34 practices:

35 1. Emergency and trauma services and shall operate a general hospital  
36 and a burn center, all at a level of service no lower than that which existed  
37 on January 1, 2003.

38 2. Maternity services at levels required of public hospitals pursuant  
39 to title XIX of the social security act.

40 D. Following the expiration of the ten year period prescribed by  
41 subsection C of this section, the district may provide any of the services or  
42 operate any of the facilities permitted under this chapter.

43 E. ~~Nothing in This chapter establishes~~ DOES NOT ESTABLISH a legal  
44 entitlement to services or reimbursement for services for any person or third  
45 party or obligates the district to provide programs or services that it

1 cannot provide as the result of actions of third parties. The provisions of  
2 this section shall be included in any lease or management agreement for the  
3 general hospital of the district, and any sale, lease or management agreement  
4 shall not affect the status of the hospital as a public hospital OR ITS  
5 LICENSURE UNDER SECTION 36-422, SUBSECTION G.

6 F. Until ten years after the date that the district first operates a  
7 general hospital, the following apply:

8 1. The district may not construct an additional general hospital  
9 outside the three mile radius of a general hospital operated by the county.  
10 After the expiration of the ten year period, the district may not construct a  
11 general hospital outside a three mile radius of the general hospital operated  
12 by the county without the approval of the qualified electors of the entire  
13 county pursuant to an election called by the board of directors of the  
14 district.

15 2. The district may not acquire or lease a general hospital that is  
16 situated beyond the three mile radius of the general hospital operated by the  
17 county without the approval of the qualified electors of the entire county  
18 pursuant to an election called by the board of directors of the district.

19 3. Except for a psychiatric hospital or a behavioral health facility,  
20 the district may not construct, acquire or lease a specialty hospital that is  
21 located outside the three mile radius of a general hospital operated by the  
22 county.

23 G. Notwithstanding section 48-5541, paragraph 5, for a period of ten  
24 years after the date that the district first operates a general hospital, a  
25 district may own, operate, lease, manage or maintain no more than three  
26 outpatient surgical centers as defined in section 36-401, if all of the  
27 following apply:

28 1. One of the outpatient surgical centers is located at the campus of  
29 a general hospital operated by the district.

30 2. Any other surgical centers are located at health care institutions  
31 as defined in section 36-401 that were operated by the county in which the  
32 district is located on January 1, 2003.

33 3. All surgical centers are operated in furtherance of the district's  
34 mission as prescribed by subsection H of this section.

35 H. A district shall operate a general hospital for the term of any tax  
36 authorized pursuant to section 48-5565, and the district's primary but not  
37 sole mission is as provided in this subsection and met by providing directly  
38 at its facilities or by contract medical education programs, emergency and  
39 other services as required by this chapter, services to the medically  
40 underserved and facilities and equipment necessary for these services. The  
41 district's annual expenditures to satisfy the requirements of this subsection  
42 shall be to the extent of the amount of taxes approved by the qualified  
43 electors, authorized by the board of directors of the district and available  
44 pursuant to sections 48-5563 and 48-5565.

1        I. The district and the county may not simultaneously operate a  
2 general hospital, and a district may not operate an ambulance service  
3 pursuant to section 48-5564.

4        J. If a district chooses to acquire or lease from a county an asset of  
5 a health system as defined in section 11-1401, the board of supervisors of  
6 that county, by a majority vote, may convey, sell, lease or otherwise  
7 transfer title to any such asset of a health system to the district and  
8 transfer any health system liability as defined in section 11-1401 to the  
9 district.

10       K. A district may:

11        1. Raise capital, borrow and invest monies, create debt, assume debt  
12 and refinance debt to carry out the purposes of this chapter.

13        2. Issue tax anticipation notes pursuant to title 35, chapter 3,  
14 article 3.1.

15        3. Issue revenue anticipation notes pursuant to title 35, chapter 3,  
16 article 3.3.

17        4. Issue revenue bonds in a manner consistent with chapter 12, article  
18 5 of this title.

19       L. Notwithstanding section 48-5542, a district shall not lease any  
20 general hospital that it operates to any entity other than a political  
21 subdivision of this state until two years after the receipt of any special  
22 payments.

23       M. Subject to the other provisions in this chapter, the district:

24        1. Shall adopt administrative rules, including an employee merit  
25 system for its employees, and shall adopt and administer competitive  
26 procurement rules necessary to administer and operate the district's programs  
27 and any property.

28        2. May employ or contract with individuals or other entities,  
29 including the county attorney, to provide services in furtherance of the  
30 purposes of the district.

31        3. May establish or acquire foundations or charitable organizations to  
32 solicit donations, financial contributions, real or personal property or  
33 services for use solely to perform the duties and obligations in furtherance  
34 of the district.

35        4. Shall disclose and make available records and other matters in the  
36 same manner as is required of a public body pursuant to title 39, chapter 1,  
37 except that the district is not required to disclose or make available any  
38 records or other matters that:

39        (a) Identify the care or treatment of a patient who receives services,  
40 including billing information, unless the patient or the patient's  
41 representative consents to the disclosure in writing or unless otherwise  
42 permitted pursuant to federal or state law.

43        (b) Reveal proprietary information provided to the district by a  
44 nongovernmental source. For the purposes of this subdivision,

1 "nongovernmental" means an entity other than the United States government or  
2 a public body as defined in section 39-121.01.

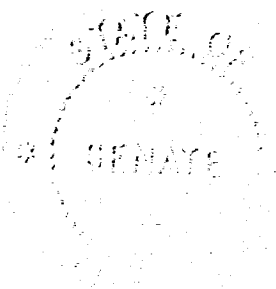
3 (c) Would cause demonstrable and material harm and would place the  
4 district at a competitive disadvantage in the marketplace.

5 (d) Would violate any exception, privilege or confidentiality granted  
6 or imposed by statute or common law.

7 N. A district is entitled to a lien for the charges for any services  
8 provided by a hospital operated by the district, for medical care and  
9 treatment of an injured person or for long-term care services, on any and all  
10 claims of liability or indemnity for damages accruing to the person to whom  
11 hospital or medical service is rendered, or to the legal representative of  
12 such THAT person, on account of injuries giving rise to such claims and that  
13 necessitated the hospital or medical care and treatment. Recovery of charges  
14 pursuant to this subsection shall be in a manner as nearly as possible the  
15 same as the procedures prescribed in section 36-2915.

APPROVED BY THE GOVERNOR APRIL 18, 2005.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 18, 2005.



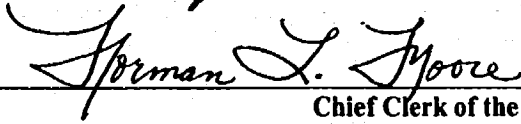
Passed the House April 11, 20 05,

by the following vote: 49 Ayes,

9 Nays, 2 Not Voting



Speaker of the House



Chief Clerk of the House

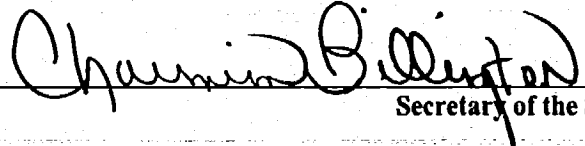
Passed the Senate February 10, 20 05,

by the following vote: 26 Ayes,

1 Nays, 3 Not Voting



President of the Senate



Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

10th day of April, 20 05

at 12:39 o'clock P. M.

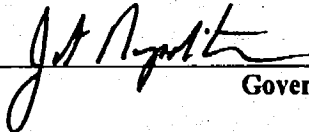


Secretary to the Governor

Approved this 18 day of

April, 20 05,

at 1:40 o'clock P. M.



Governor of Arizona

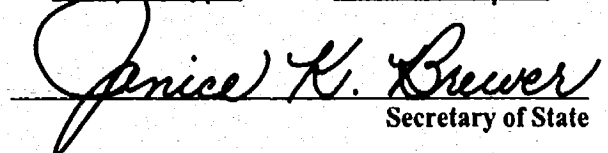
S.B. 1127

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 18 day of April, 20 05

at 4:42 o'clock P. M.



Secretary of State